

Governor Ernie Fletcher Announces Transfer in Regulatory Oversight of Group Self-insured Workers' Compensation Funds in Kentucky

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Office of Insurance to assume responsibility of regulating these funds

Frankfort, KY: In an effort to protect every Kentucky worker and to provide better policy oversight to group self-insured workers' compensation funds, such as the Associated Industries of Kentucky selective self-insurance fund (AIK Comp Fund), Governor Ernie Fletcher signed an executive order today directing that the Office of Insurance will now regulate such funds in the Commonwealth.

"I am appalled about the poor oversight of group self-insurers and their operations in Kentucky," said Governor Fletcher. "We have new management which has done an initial assessment and recommended transferring these funds to the Office of Insurance, which has more expertise to oversee them and more regulatory options. This increased regulatory oversight will provide more stability to the financial integrity of the workers' comp fund and provide stronger protection for Kentucky workers."

The Office of Workers Claims historically regulated self-insured groups with less oversight than that provided for commercial insurers by the Office of Insurance. This transfer will allow for increased regulatory review and examination. Financial analysts and financial examiners within the Office of Insurance will have the power to review self insured funds and initiate rehabilitation if necessary. A \$40-million deficit projected by the AIK Comp Fund through policy year 2002 prompted the Governor's decision to tighten oversight of this market. Additionally, an independent audit now indicates the projected reserve deficit at \$53 million through the 2003 policy year.

"We have reviewed with a workers' comp expert consultant the reserve deficiencies of AIK Comp and have recommended immediate action, beyond the transfer," Governor Fletcher added. "We requested that they submit a revised assessment plan for policies through 2002 to ensure all workers' claims are paid and that small businesses are not bankrupted. We now have what we believe is an acceptable plan from AIK Comp. We also expect the Office of Insurance to institute rehabilitation proceedings soon."

This change will also require AIK to resubmit an acceptable assessment plan to the Office of Insurance.